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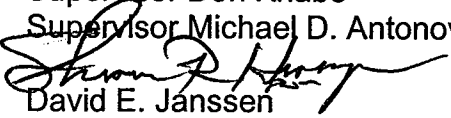
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May 25, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich
From: 
David E. Janssen
Chief Administrative Officer

**MOTION TO SUPPORT AB 1470 (HUFFMAN) – SOLAR HOT WATER AND
EFFICIENCY ACT OF 2007 (ITEM NO. 100-D, SUPPLEMENTAL AGENDA OF
MAY 29, 2007)**

Item No. 100-D on the May 29, 2007 Supplemental Agenda is a motion by Supervisor Yaroslavsky to instruct: 1) the County's Sacramento advocates to support AB 1470 (Huffman); 2) the Executive Office to send a five-signature letter to Assembly Member Huffman, the Assembly Speaker, the Senate Pro Tem, the Assembly Appropriations Committee, and the Los Angeles County Legislative Delegation informing them of the Board's support of AB 1470; and 3) the County's Sacramento advocates to work vigorously to get AB 1470 removed from the Assembly Appropriations Suspense File and work to ensure its passage.

Existing law grants the Public Utilities Commission (PUC) regulatory authority over public utilities, including gas corporations. Among its various responsibilities, as authorized in SB 1 (Chapter 132 of 2006), the PUC is required to implement the California Solar Initiative, which provides incentives for the installation of solar electrical projects. The California Solar Initiative is limited to systems that produce electricity, and excludes those that offset the need for natural gas, because it is only funded by electricity rate payers.

Each Supervisor
May 25, 2007
Page 2

As amended on May 2, 2007, AB 1470 establishes a new gas utility surcharge to fund a 10-year, \$250 million program to subsidize the installation of solar hot water heaters to offset the need for natural gas. This bill would require the PUC to: 1) implement a program within the territories of the investor-owned gas corporations to provide incentives toward achieving a goal of installing 200,000 solar hot water systems throughout the State by 2017; 2) fund the program through a consumption-based surcharge on gas customers, except for those customers with incomes below 300 percent of the federal poverty level; and 3) establish eligibility criteria and other conditions for program participation. At least 10 percent of the funds would be allocated for low-income and affordable housing projects, and each publicly-owned utility would be required to establish a similar incentive program to help achieve the 200,000 solar hot water systems goal by 2017.

According to the Assembly Natural Resources Committee's analysis, supporters believe that solar hot water heaters could be an important part of California's energy future. A solar hot water heater furnished and installed for \$4,000 to \$6,000 could save the average homeowner between 100 and 200 therms of natural gas a year – an 18 percent to 36 percent reduction in average usage. Based on 2006 average residential gas bills of \$720 annually, the average California residential customer would save around \$225 per year on their natural gas bills. Because of the current long payback period, supporters believe a state incentive program is needed to foster greater use of this technology. The incentive payments would decline over time as scale economies reduce the initial costs of solar hot water heaters. It is estimated that this program could result in a reduction of 18 percent of California's current demand for natural gas.

The Internal Services Department (ISD) indicates that the County, as a large natural gas customer, would pay its share of this funding source through its facilities' bills, but it would be a nominal amount compared to the County's annual \$50 million natural gas bills. Many of the County's water heating systems are natural candidates for new solar heating systems and the County could benefit from this program. ISD indicates that ideal candidates for solar heating would be parks and recreational facilities (botanical gardens, golf courses), probation camps, campuses, and some commercial office buildings. Because there are significant natural gas savings yet to be realized in water heating systems in homes and businesses in California, ISD recommends that the County support AB 1470.

The Department of Parks and Recreation indicates certain park facilities would be good candidates for solar water heating technologies, including gymnasiums and community centers. They also advise that there would likely be additional capital and

Each Supervisor
May 25, 2007
Page 3

operational costs associated with the program. The Department is recommending a support position on AB 1470.

The Probation Department notes that additional facility funding would be necessary for the Department to benefit from this program to pay for the initial costs to install and retrofit a solar water heating system. These costs may eventually be offset if the State bond funding to upgrade juvenile probation facilities becomes a reality. The Department has no position on the bill.

Although the County has existing policy to support the development of alternative energy sources, support for AB 1470 is a matter for Board policy determination because the bill imposes a surcharge on all gas customers to fund the program, and there is no existing policy on surcharges.

AB 1470 is sponsored by the author and supported by several organizations, including: The Association of California Community and Energy Services; Americans for Solar Power; California Solar Energy Industries Association; Clean Power Campaign; Coalition for Clean Air; and the Natural Resources Defense Council. There is no registered opposition. This measure is currently on the Assembly Appropriations Suspense File.

DEJ:GK
MAL:EW:hg

c: Executive Office, Board of Supervisors
County Counsel
Internal Services Department
Parks and Recreation Department
Probation Department